EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:			ACTION	INFO	DATE	INITIAL
	1	DCI		X		
	2	DDCI		X		
	3	EXDIR				
	4	D/ICS				
	5	DDI		X		
	6	DDA				
	7	DDO				
	8	DDS&T				
	9	Chm/NIC				
	10	GC				
	11	IG				
	12	Compt				
	13	D/OLL				
	14	D/PAO	X			
	15	D/PERS				
	16	VC/NIC				
	17	D/OGI/DI		X		
	18	NIO/ECON		X		
	19	ER				
	20					
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		SUSPENSE _____ Date				

Remarks

TO #14: Please handle as appropriate.

STAT

Executive Secretary
11 Mar 86
Date

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PITTS OIL COMPANY
500 MEADOWS BUILDING
DALLAS, TEXAS 75206

(214) 369-9266

March 5, 1986

The Honorable William J. Casey
Director
Central Intelligence Agency
Washington, DC 20505

Dear Mr. Casey:

Being an integral member of the Reagan Administration, I am sure you share the President's conviction regarding the importance of a strong national defense to our country's security. National security is the number one responsibility of the federal government.

The current dumping of oil on the world market by Middle East producers is a threat to our national defense and our country's security. If it continues, it will dismantle our domestic oil and natural gas industry, decrease our domestic production and increase, materially, our dependence on imported oil.

Why is a material increase in our reliance upon imported oil a threat to our national security? The answer is really quite simple. The only place we can turn to for substantially increased volumes of oil is the Middle East and North Africa. While the rest of the world is producing at near production capacity, this area has over 70% of the free western world's proven reserves. Iran and the Arab States alone control over 80% of the unused production capacity in the free western world. Overdependence on oil from this tinderbox area of the world, in the backdoor of Soviet Russia, will cause our nation and the rest of the free world to be held hostage to the political realities and uncertainties of the Middle East. Enclosed is a brochure prepared by my company which, among other things, describes where our oil must come from in the event our domestic production is decreased.

The current dumping of oil is a real and serious problem. Our domestic oil and natural gas industry is already on its back. Left unchecked, Middle East producers have the clout to dismantle, for years to come, our domestic industry. The infrastructure of our industry cannot be rebuilt overnight, and, once it is, it will take 5-15 years to find, develop and produce new reserves. The U.S. will, as a result, not only fail to discover much needed new reserves, but will lose, forever, a substantial amount of existing production and reserves. A recent study completed for the Interstate Oil Compact Commission reveals that, if crude oil remains at the $15 price range, the U.S. could lose approximately 280,000 barrels per day of oil production in the first year because 22.5% of all stripper wells in the U.S. would be prematurely abandoned. The same study reveals abandonment of 40% of all U.S. stripper wells and a loss of approximately 640,000 barrels of oil production per day for the first year should the price of crude oil fall to $10 per barrel. (See enclosed copy of Interstate Oil Compact Commission Release dated March 2).

Middle East producers will have won. They can sell us their oil, if they want to and assuming the sea lanes can be kept open, at whatever price they desire. We must, in the name of national security, do everything feasible to quickly end this dumping of oil on the world market. Should we fail in this important matter, history will classify our failure as one of the worst and most unnecessary mistakes of our era.

Sincerely yours,

L. Frank Pitts

C-114-1R

INTERSTATE OIL COMPACT COMMISSION

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EDWIN W. EDWARDS
Chairman
Governor of Louisiana

W. TIMOTHY DOWD
Executive Director

For Further Information
Contact Betsy Fernandez
Telephone (405) 525-3556

FOR RELEASE SUNDAY 5:00 PM (March 2)

Oklahoma City, OK, February 27, 1986 -- If the cost of crude oil remains in the $15 price range the U.S. could lose over 734 million barrels of oil, says a study released today by the Interstate Oil Compact Commission (IOCC). Stripper wells produce less than 10 barrels per day and because of their low production rates are very sensitive to changes in the price of crude oil.

The study says this projected abandonment of 22.5 percent of all the stripper wells in the United States would result in a loss of oil production during the first year of close to 280,000 barrels per day, valued at $1.5 billion for that year. "Once plugged and abandoned, these wells will not be redrilled due to economic reasons and their resources will be lost forever," said IOCC Executive Director W. Timothy Dowd.

The study, which was prepared for the IOCC by the RAM Group, Ltd., a management analysis firm of Oklahoma City, covers the projected impact on stripper wells in 22 oil producing states at various oil prices from $10 to $25. The price refiners pay for oil has dropped since December from $31 per barrel to $18. On the commodities market the price dipped below $14 last week before making a slight comeback.

The numbers projected by the study are in addition to normal abandonment. Annually, approximately 11,000 stripper wells are abandoned in the United States because of old age.

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"The loss of stripper well production at $15 represents a $1.5 billion contribution to the trade deficit because every barrel that is not produced in the U.S. is one that has to be imported," said Dowd. "Our consumption will not change, simply the source of the crude oil," he said.

At $15 per barrel, the loss would be greatest in Texas, where an estimated 28,500 stripper wells would be abandoned, resulting in lost production of 92,000 barrels per day during the first year.

Oklahoma's loss would be very significant because stripper wells account for nearly 60 percent of the state's production. At $15 per barrel, the state would shut down almost 19,000 stripper wells which collectively produce close to 57,000 barrels per day, or nearly 13 percent of Oklahoma's total oil production from all wells.

At $15 prices, an estimated 10,000 stripper wells would be abandoned in Kansas, costing the state's oil production 30,000 barrels per day.

Additionally, the study examines the effect on stripper wells if oil prices fall to $10 per barrel. Over 40 percent of U.S. stripper wells would be abandoned if prices fall to this level. This would mean a production loss of 640,000 barrels per day in the first year, valued at $2.3 billion for the year. Close to 185,000 stripper wells would be abandoned.

In the first year at $10 per barrel, Texas would lose over 210,000 barrels per day, valued at $767 million. This would mean a loss in reserves of 860 million barrels.

Oklahoma would face the abandonment of 34,000 or 40 percent of its stripper wells. The production lost in the first year would amount to almost 130,000 barrels per day and over $470 million.

The impact that would take place on stripper wells at oil prices of $20 per barrel amounts to over 100,000 barrels per day lost in the first year nationally, valued at $778 million.

In 1984, stripper wells accounted for approximately 15 percent of the nation's total oil production and about 70 percent of the total number of U.S. oil wells.

For further information or a copy of the study, call (405) 525-3556.

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Interstate Oil Compact Commission
Impact of Oil Price Reduction on Stripper Wells, Selected States

	U.S.	Arkansas	California	Illinois	Indiana	Kansas	Louisiana	New Mexico	New York	Ohio	Oklahoma	Penn.	Texas	W.Virginia	Wyoming
Total Stripper Wells Average Barrels per Day															
At $10/Bbl:															
Wells Abandoned	184,547	1,932	10,868	12,210	2,501	18,656	6,729	6,015	1,848	10,248	33,615	7,968	51,465	6,199	2,047
Production Loss (first year, BPD)	638,046	7,778	78,637	35,733	6,054	67,036	13,543	20,646	936	14,678	129,503	5,805	210,343	4,516	9,782
Value of Production Loss (Millions)	$2,328.869	$ 28.388	$ 287.027	$130.424	$22.097	$244.682	$ 49.431	$ 75.359	$ 3.415	$53.575	$472.686	$21.189	$767.753	$ 16.482	$35.706
Total Reserves Lost (Millions of Barrels)	2,610.880	31.826	321.784	146.217	24.772	274.311	55.417	84.484	3.829	60.062	529.925	23.754	860.723	18.478	40.030
At $15/Bbl:															
Wells Abandoned	101,958	1,067	6,004	6,746	1,382	10,307	3,717	3,323	1,021	5,662	18,572	4,402	28,433	3,425	1,131
Production Loss (first year, BPD)	277,090	3,378	34,151	15,518	2,629	29,112	5,881	8,966	406	6,374	56,240	2,521	91,347	1,961	4,248
Value of Production Loss (Millions)	$1,517.065	$ 18.493	$ 186.974	$ 84.960	$14.394	$159.390	$ 32.200	$ 49.090	$ 2.225	$34.900	$307.916	$13.803	$500.127	$ 10.737	$23.260
Total Reserves Lost (Millions of Barrels)	733.812	8.945	90.440	41.096	6.963	77.098	15.575	23.745	1.076	16.881	148.940	6.676	241.914	5.194	11.251
At $20/Bbl:															
Wells Abandoned	45,390	475	2,673	3,003	615	4,589	1,655	1,479	455	2,520	8,268	1,960	12,658	1,525	504
Production Loss (first year, BPD)	106,586	1,299	13,136	5,969	1,011	11,198	2,262	3,449	156	2,452	21,634	970	35,138	754	1,634
Value of Production Loss (Millions)	$ 778.077	$ 9.485	$ 95.896	$ 43.575	$ 7.383	$ 81.748	$ 16.515	$ 25.177	$ 1.141	$17.899	$157.925	$ 7.079	$256.507	$ 5.507	$11.929
Total Reserves Lost (Millions of Barrels)	92.783	1.131	11.435	5.196	0.880	9.748	1.969	3.092	0.136	2.134	18.832	0.844	30.588	0.657	1.423